NORTH PORTAGE DEVELOPMENT CORPORATION

1991 ANNUAL REPORT

92-04018/

Canada

The momentum created by North Portage Development Corporation in revitalizing Winnipeg's Central Business District continues as a positive example of what the public and private sectors can achieve by working together.

The Government of Canada recognizes the ongoing accomplishments of North Portage Development Corporation and wishes its board members continued success.

Honourable Jake Epp
Minister of Energy,
Mines and Resources

Manitoba

The health and vibrancy of Winnipeg's downtown continues to be of importance to the Province of Manitoba and its citizens. The significant changes to the downtown that have been achieved through North Portage Development Corporation have added a new vitality and look to the heart of our Capital City.

On behalf of the Province of Manitoba, I would like to express appreciation to the Board of Directors and staff of North Portage Development Corporation for their accomplishments to date and best wishes for continued success.

Honourable J. Ernst
Manitoba Minister
of Urban Affairs

Winnipeg

The City of Winnipeg acknowledges, with pleasure, the very important work North Portage Development Corporation continues to do for the citizens of Winnipeg and Manitoba.

North Portage Development Corporation is a truly important example of how, through cooperative effort, the three levels of Government can work successfully with the private sector.

The continued diligence of the management and Board of North Portage Development Corporation is appreciated.

Bill Norrie
Mayor,
City of Winnipeg

CHAIRPERSON'S MESSAGE

This Annual Report covers the Corporation's eighth year of operation – a year of significant progress in the face of difficult challenges. The contribution the Corporation has made to the revitalization of its mandate area through its mixed-use development strategy has not only been recognized locally but has also been praised by many agencies and bodies involved in downtown redevelopment in other North American cities..

Among the challenges facing the Corporation was the need to stabilize the residential component of the development area and to assist with the rehabilitation of the South Side of Portage Avenue. Significant progress was achieved on both fronts through the negotiation of workout arrangements for Place Promenade and through the implementation of a South Side improvement program.

The 1990-91 year also saw the completion of the extensive redesign and renovation of the Downtown Y and the planning for new developments. Taken together with the ongoing social, cultural and commercial activities in the North Portage area, the capital construction projects have reinforced the Corporations contributions to the social and economic vitality of downtown Winnipeg.

The Directors of the Corporation deserve special commendation for their steadfast commitment to the long term objectives of the Corporation, the prudent use of public resources and for their unwavering support. The management and staff of the Corporation did an outstanding job in demanding circumstances. The Corporation depended heavily on the support, good will and assistance of the Shareholder representatives and officials in the various departments of the municipal, provincial and federal governments; to all of whom we are most grateful.

December, 1991
Dr. Arnold Naimark
Chairman

View of expanded and renovated Downtown Y from The Promenade.

GENERAL MANAGER'S MESSAGE

1990/1991 Results

North Portage Development Corporation and its two subsidiaries, North Portage Theatre Corporation and Cityscape Residence Corporation continue to maintain financially self-sufficient operations, despite the current economic conditions.

Decline in revenues have been offset to a significant extent by a reduction in expenses. For example, administrative expenses are 22% less than the prior year.

The three corporations have maintained a positive cash position earning nearly $500,000 in income before depreciation and amortization. This was despite the inclusion of an over $1 million operating loss incurred by Cityscape Residence Corporation, the owner of Place Promenade.

We have continued our practice of amortizing one-time development costs, the costs of producing the IMAX film on Manitoba and depreciation of capital investment and equipment. These non-cash items had no impact on North Portage's net cash position which was virtually unchanged from the prior year.

Current Operations

While Place Promenade experienced high vacancy and tenant turnover earlier in the year, the financial situation of the complex has significantly improved. Vacancy rates are now less than 4%, renewal rates are over 75% and rents are competitive with similar apartments in the city. Significant progress has been made in leasing the commercial component of the project. The Asmara Cafe and the University of Manitoba Department of Continuing Education have recently opened their doors and Prince Perogie will open shortly.

Since the year end the Corporation has successfully negotiated a workout agreement with CMHC using the Mortgage Insurance Fund to finance a portion of current and future losses over a five year period retroactive to January, 1990. This will provide the necessary funds to turn the project around. The cash requirements over the five year period will be very small, as a portion of the cash deficiency is owed to North Portage in the form of land lease and mortgage payments.

Place Promenade's current and future cash requirements have been factored into the future cash needs of North Portage for land settlements and capital projects without requiring any contribution from our shareholders.

Our most satisfying achievement during the year was the successful implementation of the revitalization strategy for Portage Avenue's South Side through the cooperation of the property owners, merchants, the City and the Downtown BIZ.

Since the Corporation's Southside Improvement Program began in September, 1990, the 50,000 sq. ft. of vacant space between Eaton's and The Bay has been reduced by half and only 5 of the original 15 unoccupied stores remain vacant or unoptioned. Just as importantly, funds have been provided to allow existing businesses to upgrade their operations.

The success in leasing the South Side and Place Promenade, combined with the recently completed YM/YWCA has helped to strengthen the attractiveness of downtown Winnipeg.

The Corporation is continuing its revitalization efforts. We are working with Lakeview Developments of Canada Ltd. to build a hotel on the east pad of Portage Place at Carlton Street and the option agreement for an office tower at Vaughan Street has been renewed for another year. Most recently North Portage has signed a Letter of Intent with Shelter Corporation of Canada Limited to build a headquarter facility for Information Systems Management Corporation at the southwest corner of Ellice Avenue and The Promenade.

December, 1991
Kent Smith
General Manager

BOARD OF DIRECTORS

Left to right;
(top row)
Dr. Arnold Naimark, *Chairperson*
Mr. John Brice, *Vice-Chair*
Mr. Ted Murphy
Mr. Kenneth Galanchuk, Q.C.
Mrs. Patricia Phillips
(bottom row)
Mr. Sheldon Berney
Ms. Heather Wilson
Mr. J. Paul Marion
Mr. W. John Rae
Mr. J. Derek Riley

STAFF

Left to right;
Ingrid Brigham
Alison Thiessen
Leigh Hayward
Kent Smith
Paul Webster
David Stones
Hart Mallin

THE SOUTH SIDE IS BACK

There is a new mood on the south side of Portage Avenue between Eaton's and The Bay.

The fortunes of property and business owners along this four block strip have improved significantly in the past year. This change stems from the joint efforts of a number of key players, including the building owners, the merchants, the City, the Downtown Winnipeg Business Improvement Zone (BIZ) and North Portage Development Corporation.

North Portage has continued in its ongoing commitment to help develop a program of revitalization for the south side of Portage Avenue.

In June 1989 North Portage brought Richard Bradley, President of the International Downtown Association, to meet with owners and merchants of the South Side. Mr. Bradley also met with City representatives and the BIZ Board to facilitate action by all parties.

North Portage took the lead role in this process and retained Coriolis Consultanting Corp. to undertake a market study on the future of retail on the South Side. The consultants were also asked to recommend specific strategies to revitalize Portage Avenue.

Coriolis met with every owner and merchant on the South Side and published their findings in a report that was widely circulated in March, 1990.

In April, 1990, the owners, merchants, City and BIZ representatives attended a meeting organized by North Portage to finalize an action plan to revitalize the South Side.

One of the key components of that plan was North Portage's hiring of a South Side Coordinator in July, 1990 who has made a significant contribution to the revitalization of the South Side.

Soon after he was hired, North Portage established the South Side Improvement Program which has generated new life into the formerly neglected area between Eaton's and The Bay.

Under the Portage Avenue South Side Improvement Program, incentives of up to one third of the total cost, to a predetermined maximum, are paid to building owners to improve their retail units in order to remain competitive in a tough rental market.

Since the program began in September 1990, the Corporation has helped reduce the over 50,000 square feet of vacant space between Eaton's and The Bay by more than 50 per cent. Furthermore, there are signed or pending lease commitments which will see more vacant storefront occupied by the spring of 1992. New retail tenants like David I. Hoffman Optical Ltd., Red Apple Clearance Centre and Pyramid Books and Records have opened on "The Avenue".

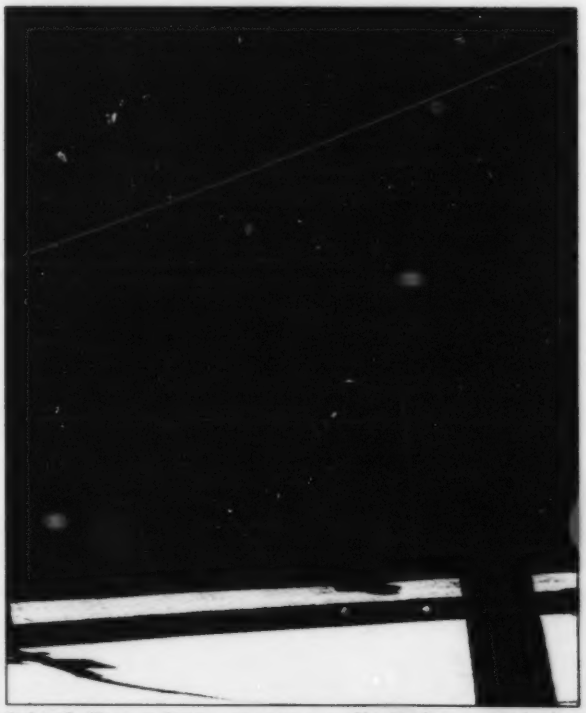
While North Portage played a major role in this revitalization, there were also other important contributors. The Downtown Winnipeg BIZ group has provided valuable leadership as demonstrated by the Gallery on the Avenue project which showcased Manitoba art work in vacant storefronts. Several of the existing merchants seized the opportunity to upgrade their stores and improve operations. For example Gendis Corp. has opened the Red Apple Discount Centre, with plans for a second, SAAN Fantasies, in addition to its recently refurbished Metropolitan department store. David Hoffman Optical Ltd. and The Philosophers Stone opened in the Power Building after extensive renovations were undertaken by Morguard Investments Ltd.

As well, Gendis generously made available a vacant South Side storefront for the use of the Winnipeg Police Department. The Portage Avenue Police Station was formally opened on November 13, 1990, and has been universally recognized as a positive addition to the entire area.

Through the continuing work of specially assigned Police personnel an enhanced feeling of security has evolved in the area. Conceived and funded by the Downtown Winnipeg BIZ, the Storefront office has made an incalculable contribution to the downtown community. Policing has become proactive in downtown Winnipeg, while residents and business people alike have undertaken to learn new methods of managing safety concerns through the help of trained Winnipeg Police professionals. The station is a good example of the value of a cooperative approach to revitalizing the South Side.

North Portage was instrumental in pursuing the implementation of a City of Winnipeg recommendation that a park be planned and built at a vacant site at 400 Portage Avenue. The park will offer an exciting new amenity to Portage Avenue, allowing for casual use as well as programmed activities.

All of these changes have altered the face of the South Side and dramatically improved the image of the area. The revitalization of the street demonstrates what can be accomplished when the private and public sectors work together towards a common objective.



Red Apple Clearance Centre, a new store opened by Gendis Inc., using funds from the South Side Improvement Program.

PLACES FOR PEOPLE

The provision of a large indoor space to hold a variety of events was one of the original objectives of North Portage Development Corporation.

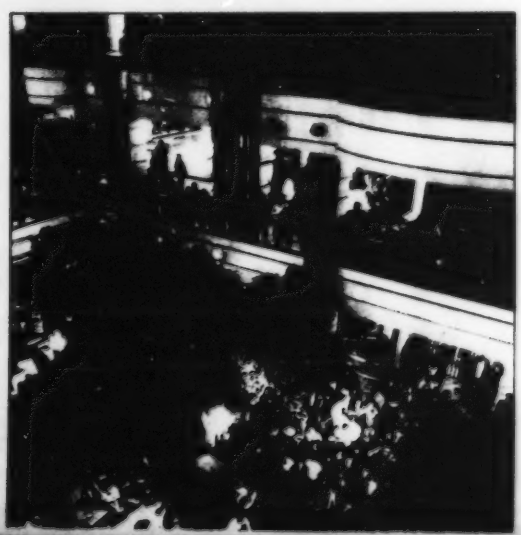
Edmonton Court in the Portage Place Shopping Centre is fulfilling this mandate. In addition many public events have been held at Prairie Theatre Exchange and the IMAX Theatre at Portage Place. Many local groups have been eager to use Edmonton Court because it offers ease of access, readily available services, and a great deal of exposure because of the high levels of pedestrian traffic.

These sites were showcased December 31, 1990 when the First Night Festival of Winnipeg introduced a unique way to celebrate New Year's Eve and attracted more than 12,000 people downtown. The festival presented shows at 14 locations and included were such North Portage sites as Edmonton Court, Prairie Theatre Exchange, the IMAX Theatre and the lobby at One Canada Centre.

The festival had a dual purpose – to re-introduce alcohol-free family fun into New Year's Eve and showcase the vibrancy of downtown Winnipeg. This is just one of many public events that have graced our public spaces during the past year.

Others include everything from a Halloween pumpkin carving contest to the Winnipeg Jazz Festival concert series. In addition, many charitable organizations like Crimestoppers Bail-a-Thon have used Edmonton Court in their fundraising campaigns. The sheer size and adaptability of Edmonton Court has also allowed downtown workers and shoppers to see the Alpine Club of Canada climb a 50' mock rockface.

Major Winnipeg celebrations like the Western Canada Summer Games have been promoted at Edmonton Court. Its central location in downtown Winnipeg and its high volume of pedestrian traffic will ensure its continued use in the future.



NORTH PORTAGE IS SITE OF MOVIE REVOLUTION

Winnipeg has been in the forefront of the film world since the IMAX® Theatre opened in Portage Place in September 1987.

Three years ago, North Portage Development Corporation persuaded the Imax Corporation of Toronto to open or. of its revolutionary movie theatres in the new downtown shopping centre. Since then, the theatre has been drawing approximately 200,000 customers a year to watch the exciting IMAX films which present high quality, full colour, larger than life images on a wide screen that towers five-and-a-half storeys high and 72 feet wide.

In the IMAX Theatre at Portage Place, Winnipeggers are able to see many first-run films at the same time as they are opened in larger centres. Perhaps even more important, Manitoba's capital has become the home of a world class tourist attraction as the theatre draws more than 25 per cent of its patrons from out-of-town.

As the 1990s evolve, the IMAX Theatre is destined to become an even bigger asset to Winnipeg. The company's technology which presents an image ten times larger than a conventional movie - premiered in 1970 and can currently be seen in 77 theatres around the world, including nine in Canada. At first, most of these theatres were components of museum and science centres, but Portage Place and other recent installations have proved that IMAX Theatre can thrive in a commercial setting.

IMAX Theatre at Portage Place, for example, has been self-supporting since opening day. Its staff of three full-time and 25 part-time employees pursues school business and 20 per cent of the theatre's revenue comes from student groups who are thrilled by such nature spectaculars as Blue Planet and the Great Barrier Reef. The general public is not being forgotten as new and innovative techniques are permitting the IMAX cameras to capture a wide variety of content. This versatility will be demonstrated in the fall of 1991 when a full-length feature on the Rolling Stones Steel Wheels concert tour premiers at the Portage Place theatre.

Currently, there are over 80 IMAX films in existence and five or six new ones are being added every year. Most of them have been hits at the box office and already more than 920,000 local residents and tourists have been attracted to a theatre which is adding sparkle to North Portage and the city as a whole.

CULTURE & BUSINESS MEET AT PORTAGE PLACE

Portage Place has demonstrated that art and commerce can flourish side by side in a downtown shopping mall.

The retail complex is also the home of Prairie Theatre Exchange which has built a 42,000 square foot theatre arts centre on the third level.

PTE, as it is known to Winnipeggers, presents a winter series of mainstage productions, three plays for younger audiences, tours extensively and runs a theatre school for 540 students. Yet that is just a small sample of the activity in this busy place. Other theatre companies use a second stage and prepare their productions in a nearby rehearsal hall. PTE itself employs close to 40 people and provides space for the offices of the Manitoba Opera Association and Border Crossings, one of the Province's premier arts publications.

While the emphasis is on theatre in this modern $3.8 million complex, PTE's stages have been used for everything from prayer meetings and charitable benefits to a medieval variety show presented by the Shriner's Royal Order of Jesters. Alternative theatre groups have also accessed the facilities, including Primus Theatre and Awasakin Theatre. One of the benefits to Portage Place is that a wide variety of people pass through its portals to attend events at the Theatre Exchange at all hours of the day and evenings. PTE's presence also generates an atmosphere of excitement since it is unique for such a large arts centre to be housed in a shopping centre.

However, the benefits are not all on one side. Portage Place's easy access and abundant parking have enabled PTE to increase its audience base and expand its formidable reputation for producing the plays of Canadian authors, particularly those with a local or regional viewpoint. In its 19 years of existence, the company has avoided debt while presenting more than 170 plays, including 100 that were the first performances of new works.

The larger and more efficient theatre has given PTE the means and the inspiration to map an ambitious course for the future. If these dreams come true, the company will represent Canada at the 1996 Olympics cultural festival and develop more exchanges, tours and co-productions with the U.S. midwest, Great Britain and Eastern Europe.

ENCOURAGING THE QUALITY OF LIFE

North Portage Development Corporation, in line with its ongoing commitment to a quality downtown lifestyle, is particularly proud of its involvement in the renovation and expansion of the YM/YWCA building on Vaughan Street.

The amalgamated "Y" is spending almost $12 million to re-design and renovate its 81 year-old building. When the re-opening takes place in July 1991, it will provide first-class fitness facilities and services such as daycare to downtown residents and workers.

North Portage became a part of this project because the Board believes that the recreation and human services offered by the Portage Place Y enhance the other components of the project. When the "Y" was looking to raise funds North Portage stepped in to help in a couple of ways. The Corporation offered to buy the Y's land for $600,000 and then entered into an agreement to lease it back for $1.00 a year. It also provided air rights and foundation underpinnings at no cost so that the expansion of the existing building with its gymnasium and workout areas could connect directly with the second level at Portage Place.

The new and larger "Y" will have the capacity to handle 5,000 people daily. Features of the completed project will include a double gymnasium, five racketball courts, a weight training centre, a fitness area, a 12 lap to the mile banked indoor running track and a brand new 25-metre lap pool that is five lanes wide as well as a training pool. The complex will enable the Y to significantly expand its human service component which ranges, from a 34 space daycare to many programs for women, teens and seniors. Also included in the Y's programs are youth employment services, Osborne House for Abused Women and the Street Kids for Youth Project (SKY).

North Portage, together with the BIZ, the YM/YWCA and other social and family service agencies, worked to make SKY a reality. In the summer of 1990 the Corporation provided the space at 290 Vaughan Street for the SKY project. This pilot project, funded by a number of agencies including the Downtown BIZ, was designed to put homeless youth on downtown streets in touch with the resources and services that are available to help them. The SKY program, staffed by four people trained in counselling and social work was so successful in helping Winnipeg's 300 street kids that a more permanent downtown location has been found for a two year demonstration project. The office is outside the North Portage district but NPDC General Manager Kent Smith continues to serve as a SKY director, and represents the Downtown BIZ which continues its leadership role in the project.

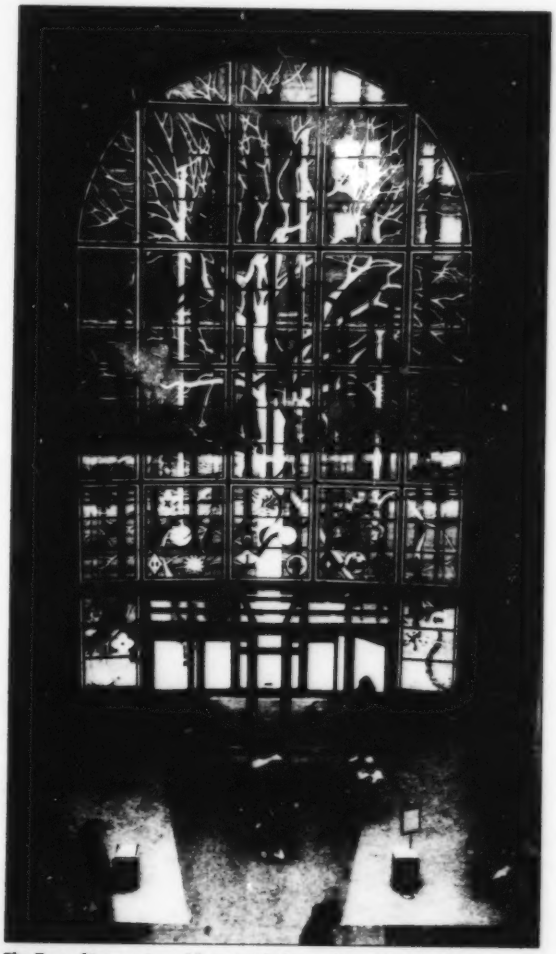
PORTAGE AVENUE'S TREE OF JOY

The magnificent Christmas display presented by the Investors Group is continuing evidence of the creative energy that has always played an important role in the revitalization of Winnipeg's downtown.

At the beginning of December 1990, Investors installed a stained-glass Christmas window above the main doors of its One Canada Centre office building.

The window is composed of 69 individual panels that feature the work of 23 Manitoba artists and designers. Arthur Mauro, Investors president, says his company wanted to make a contribution towards brightening Portage Avenue during the festive season. Investors commissioned the designing of the one-and-a-half ton window with the collaboration of Therma-Tec Industries and John Nutter, a well know Manitoba born stained glass designer.

The work, called the Tree of Joy, is a showcase for the talents of the individual artists and is probably the first time in North America that so many artisans trained in various media have collaborated on one stained glass window. It will brighten Portage Avenue through Christmas and New Years for many years to come.



The Tree of Joy as viewed from inside foyer of One Canada Centre.

SAFETY IS TAKEN SERIOUSLY

Security and safety are important to everyone living and working in Winnipeg's downtown.

For that reason, North Portage Development Corporation has established a security committee which includes representatives from all the major projects in the development and the adjoining neighbourhood. This group of about 15 people meets once a month under the co-ordination of two North Portage staff. The development's major players, who range from residents of the two seniors complexes to representatives from Portage Place, One Canada Centre and the YM/YWCA, attend the meetings.

Working closely with the new City of Winnipeg Storefront Police Office established in late 1990 under the auspicious of the BIZ, the committee has achieved practical results. A Neighbourhoods Watch Program has been established and the activities of on-site security staff have been coordinated to make the North Portage area, including the adjacent public streets, safer. The Storefront police have conducted educational programs on crime prevention and regularly patrol the North Portage area. As well, the regular liaison between residents and business people has helped foster the growing community feeling in the North Portage district.

The City of Winnipeg Storefront Police Station on Portage Avenue.

PLENTY OF PARKING

North Portage Development Corporation is one of the largest providers of parking in downtown Winnipeg. The Corporation controls three parkades and several surface lots with a total of over 2,000 parking spaces.

The Portage Place parkade alone provides over 1,000 stalls for shoppers, theatre-goers and downtown employees. The facility features two entrances, brighter than usual lighting and on-site security staff 24 hours a day, seven days a week.

In that convenient parking is so important a feature to a vibrant downtown, the Corporation continues to work with innovative groups like the BIZ and the First Night Festival to offer special parking promotions to coincide with their events.

PLACE PROMENADE

Place Promenade, a 376-unit apartment complex, was acquired by the North Portage Development Corporation in April of 1990 after a long and somewhat painful foreclosure process.

It was always understood that developing a brand new residential community in the heart of the city, while necessary for the revitalization of downtown, would be a bold venture.

Started in 1986, the complex was a key element in the corporation's strategy to give new housing equal priority with retail development in the revitalization of the North Portage area. A private developer was selected through a proposal call to build a brand new downtown residential community that would attract people to live downtown and keep the area alive in the evening and on weekends. After leasing began, the complex fell into mortgage arrears, forcing North Portage to foreclose on its mortgage and acquire the title.

When the Corporation acquired title, vacancy rates at Place Promenade were more than 30 per cent and there was a high rate of tenant turnover which added significantly to the cost of maintaining the project. A cloud of uncertainty surrounded the complex from April to August while the provincial auditor reviewed the financial statements. North Portage officials maintained throughout this trying period that they had acted responsibly and this was verified in August when the provincial auditor's report was released.

The report restored confidence in Place Promenade and set the stage for a turn-around in leasing. Working closely with Sunridge Management Inc. and Visacom Marketing, the Corporation reduced the suite vacancy rate to eight per cent by March 31, 1991 and to 4% by the end of 1991. Just as importantly, lease renewals, in excess of 75 per cent, provide concrete proof that many Winnipeggers enjoy downtown living.

This leasing program has been achieved in one of the softest Winnipeg rental markets in the post-war period. In October, 1991, the Winnipeg downtown vacancy rates were 6.6%, the highest ever recorded since CMHC began its survey of the rental market. The project has successfully overcome the previous vacancy problem by attracting tenants who want to live in a vibrant downtown community.

To keep Place Promenade's financial results separate for reporting purposes, North Portage has set up a subsidiary, Cityscape Residence Corporation, to own the complex. While the project had an operating loss of over $1 million in 1990/1991, the increase in occupancy will help to reduce these losses in future years.

Expenses were greater than anticipated as 1990 property taxes of $750,000 were significantly higher than originally estimated. These taxes are under appeal as they represent more than 35 per cent of Place Promenade's operating costs.

To ease cash flow problems, Cityscape has entered into a five year workout agreement with Canada Mortgage and Housing Corp. through its Mortgage Insurance Fund. In 1990-91, the North Portage subsidiary will receive approximately $750,000 from the fund which is not tax supported. This funding of the losses will continue for four more years, with the result that Cityscape will have time to finish the turn-around without requiring any special help from the three levels of government.

Place Promenade has already made a substantial contribution to the revitalization of downtown. Housing more than 500 residents itself, it was the catalyst for Fred Douglas Place and the Kiwanis Chateau, both highly-successful life-lease seniors apartments that have brought the total number of new residents in the North Portage site to approximately 1,000.

Between 1986 and 1991 there has been a 30 per cent increase in downtown residents and 4,000 additional people to work, shop and relax in the city's centre. These new residents are an important element in reinforcing the existing retail and entertainment uses downtown.

More importantly, a thriving new neighbourhood has been created in the heart of the city through the commitment of residents who shared our vision to make North Portage their home.

NEW CORPORATE OFFICES

On January 25, 1991, North Portage Development Corporation moved its offices to street level on The Promenade, a street with a European pedestrian flavour located behind Portage Place.

One of the key benefits of the move is that the Corporation is now in the heart of the mixed use development it has spawned over the past few years. The location brings the staff in closer daily contact with the neighbourhood. Another obvious bonus is that it will be paying rent to a wholly-owned subsidiary. But these are not the only pluses as North Portage's seven staff members will also use their new offices and board room as a showcase to attract even more commercial tenants to the fast-filling Place Promenade space.

Since acquiring title to Place Promenade in April 1990, commercial occupancy has risen to sixty-five percent. Tenants include the Royal Bank, the First Night Festival Society of Winnipeg, the University of Manitoba's Department of Continuing Education, the Asmara Cafe' and The Promenade Grocers.

In keeping with the current economic conditions the corporation has scaled down the size of its own offices from 4,400 to 3,100 square feet while trimming its administrative budget by 22 per cent.

The Corporation is continuing its commitment to the revitalization of downtown Winnipeg. Most recently, North Portage has signed a Letter of Intent with Shelter Corporation of Canada Limited for a three-storey, 90,000 square foot head office for ISM Information Systems Management Corporation to be built at the southwest corner of The Promenade and Ellice Avenue.

In the future, Lakeview Developments plans to build a hotel and an office tower on the east and west tower pads of the Portage Place Shopping Centre. Option agreements have been signed and the zoning approvals for both projects have been received from the City of Winnipeg.

The Corporation is optimistic that there will be continued construction activity on the site, even after completion of the new Portage Place Y.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of North Portage Development Corporation as at March 31, 1991 and the consolidated statements of loss and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Coopers & Lybrand

CHARTERED ACCOUNTANTS
Winnipeg, Manitoba
July 23, 1991

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 1991

	1991 $	1990 $
ASSETS		
CURRENT ASSETS		
Cash and short-term investments	3,553,112	3,569,366
Accrued investment income	54,398	45,228
Accounts receivable	391,435	105,873
Prepaid expenses	24,637	27,439
	4,023,582	3,747,906
INVESTMENT IN SUBSIDIARY - at cost (note 1)	1	1
FIXED ASSETS (note 5)	28,114,276	3,019,267
NORTH PORTAGE PROPERTIES (note 6)	34,277,364	33,731,016
DEFERRED COSTS (note 7)	3,680,446	4,597,697
MORTGAGE AND LOAN ADVANCES (note 8)	31,313,622	37,174,576
	101,409,291	82,270,463
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	2,700,812	1,702,330
Loan payable (note 2)	1,773,209	1,760,670
Current portion of mortgages and loans payable	97,878	-
	4,571,899	3,463,000
MORTGAGES AND LOANS PAYABLE (note 9)	19,788,697	-
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized - Unlimited number of common shares		
Issued and fully paid - 3 common shares	3	3
CONTRIBUTED SURPLUS (note 2)	74,899,997	74,899,997
	74,900,000	74,900,000
RETAINED EARNINGS	2,148,695	3,907,463
	77,048,695	78,807,463
	101,409,291	82,270,463

CONSOLIDATED STATEMENT OF LOSS AND RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 1991

	1991 $	1990 $
REVENUE		
Parking garage income	1,708,268	1,757,752
Lease income	1,047,958	1,087,959
Interest income	385,984	663,484
Rental income	2,516,261	236,382
Miscellaneous income	219,490	111,742
Theatre revenue (note 11)	2,853	74,258
	5,880,814	3,931,577
EXPENSES		
Directors' fees	27,110	29,881
Legal and audit	49,846	36,083
General and office	68,154	68,374
Occupancy costs	97,136	96,962
Other professional services	35,590	182,726
Salaries and benefits	360,533	408,115
Utilities	10,609	10,988
Rental expenses	2,122,682	159,743
Interest	1,414,295	92,537
Parking garage expenses	1,104,220	1,395,752
Film fund (note 10)	951	24,753
Southside program implementation	130,022	-
	5,421,148	2,505,914
INCOME BEFORE DEPRECIATION AND AMORTIZATION	459,666	1,425,663
DEPRECIATION AND AMORTIZATION		
Depreciation	940,276	171,152
Development costs	229,352	227,466
Site servicing costs	343,937	339,145
Manitoba film production	554,869	554,869
Equipment costs	150,000	150,000
	2,218,434	1,442,632
NET LOSS FOR THE YEAR	1,758,768	16,969
RETAINED EARNINGS - BEGINNING OF YEAR	3,907,463	3,924,432
RETAINED EARNINGS - END OF YEAR	2,148,695	3,907,463

The following item is included in parking garage expenses:

Depreciation	32,161	38,845

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1991

	1991 $	1990 $
CASH PROVIDED FROM OPERATING ACTIVITIES		
Net loss for the year	(1,758,768)	(16,969)
Add: Expenses not requiring cash -		
Depreciation	972,437	209,997
Amortization	1,278,158	1,271,480
Gain on sale of fixed assets	107	-
	491,934	1,464,508
Changes in non-cash working capital components -		
Accrued investment income	(9,170)	168,454
Accounts receivable	(245,434)	31,520
Prepaid expenses	11,224	30,336
Accounts payable and accrued liabilities	913,433	(587,261)
	1,161,987	1,107,557
CASH USED IN FINANCING ACTIVITIES		
Mortgage and loan repayments	(86,769)	(24,752)
CASH USED IN INVESTING ACTIVITIES		
Fixed assets	(234,206)	(37,276)
Mortgage and loan advances	-	(1,447,021)
North Portage properties	(890,286)	(1,008,362)
Deferred development costs	(16,969)	(52,079)
Manitoba film production	-	(26,130)
Assumption of net liabilities of Place Promenade (note 4)	49,989	-
	(1,091,472)	(2,570,868)
NET CASH DECREASE FOR THE YEAR	16,254	1,488,063
CASH AND SHORT-TERM INVESTMENTS - BEGINNING OF YEAR	3,569,366	5,057,429
CASH AND SHORT-TERM INVESTMENTS - END OF YEAR	3,553,112	3,569,366

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1991

1. BASIS OF PRESENTATION

The Corporation has accounted for the investment in its subsidiary companies on the following basis:

(a) North Portage Theatre Corporation and Cityscape Residence Corporation

The financial statements of the wholly-owned subsidiary companies have been consolidated with the Corporation's financial statements.

(b) Forks Renewal Corporation

The Forks Renewal Corporation is a development corporation in the Province of Manitoba funded by the Government of Canada, the Province of Manitoba and the City of Winnipeg. The issued and outstanding share of Forks Renewal Corporation is owned by North Portage Development Corporation. The board of directors of the Forks Renewal Corporation is separate and distinct from the board of directors of the North Portage Development Corporation which has no influence over the activities of the Forks Renewal Corporation. An agreement dated July 29, 1987 between North Portage Development Corporation and its shareholders provides that the financial statements of the Forks Renewal Corporation shall not be consolidated herein.

2. NATURE OF BUSINESS

The Corporation was incorporated on December 13, 1983 under the laws of Manitoba as a community development corporation and commenced operations on that date. Pursuant to Section 149(1)(d) of the Income Tax Act of Canada, the Corporation is exempt from income taxes.

The objective of the Corporation is to provide a mechanism for implementing the redevelopment of the North Portage area. The Corporation shall implement this redevelopment through a combination of investments by the Corporation, the private sector, institutions and governments.

The Corporation is owned equally by the following shareholders: the Government of Canada, the Province of Manitoba and the City of Winnipeg. The shareholders have provided resources as follows:

	$
From the Government of Canada's Special Capital Recovery Projects Program	22,000,000
From the Province of Manitoba	22,000,000
From the City of Winnipeg	22,000,000
From Program 7 of the Core Area Initiative	5,000,000
	71,000,000

Funding of North Portage Theatre Corporation was provided as follows:

	$
Repayable loans -	
North Portage Development Corporation	1,800,000
Manitoba Development Corporation	1,800,000
	3,600,000
Grants -	
Destination Manitoba and the Canada-Manitoba (1985) Tourism Development Agreement	3,900,000
	7,500,000

The repayable loans are non-interest bearing until demand at which time they will bear interest at 10% per annum. The Theatre Corporation is required to make principal payments annually to each lender equal to 33-1/3% of net income of the IMAX Theatre at Portage Place and film rental revenue.

The loan payable by North Portage Theatre Corporation to North Portage Development Corporation has been eliminated on consolidation.

To date, the loan payable to Manitoba Development Corporation may be summarized as follows:

	1991 $	1990 $
Original amount	1,800,000	1,800,000
Principal payments	26,791	39,330
Balance - March 31	1,773,209	1,760,670

At March 31, 1991, no demand for repayment has been made.

The Corporation obtains its operating revenue principally from the following sources:

(a) parking facilities,
(b) land leases with developers of retail, office, housing and other elements,
(c) interest income from short-term investments and mortgages,
(d) theatre revenue and
(e) rental revenue.

The objective of North Portage Theatre Corporation is to own and operate an IMAX movie theatre within the Portage Place Retail Complex and the marketing of its own Manitoba film which will be an integral part of the theatre and further distributed for world-wide showing.

The objective of Cityscape Residence Corporation is to own the assets and liabilities of the Place Promenade residential housing complex acquired as a result of mortgage foreclosure proceedings by North Portage Development Corporation against the original owners of the complex, The Village at Portage Place Housing Ltd.

3. ACCOUNTING POLICIES

(a) Fixed assets, depreciation and amortization

Fixed assets are recorded at cost and depreciation is charged against income in amounts sufficient to amortize the cost of fixed assets over their estimated useful lives at the following rates:

Office equipment	- declining balance basis at 20% per year
Computer software	- declining balance basis at 30% per year
Computer hardware	- declining balance basis at 30% per year
Parking and Promenade equipment	- declining balance basis at 30% per year
Theatre facility	- straight-line basis over 20 years
Place Promenade buildings and equipment	- straight-line basis over periods from 10 to 35 years

(b) Leasehold improvements

Leasehold improvements are recorded at cost and amortization is charged against income on a straight-line basis over periods from 5 to 10 years.

(c) Other costs and amortization

The Corporation records deferred costs at cost and charges amortization against income on the following basis:

Development costs	- straight-line basis over 10 years
Site servicing costs	- straight-line basis over 20 years
Development projects	- straight-line basis over 10 years
Manitoba film production	- straight-line basis over 5 years
Equipment costs	- straight-line basis over 10 years

4. PLACE PROMENADE RESIDENTIAL HOUSING COMPLEX

Effective April 1, 1990, the Corporation acquired the assets and liabilities of the Place Promenade residential housing complex referred to in note 2, and has reflected these in the accounts on the basis of their fair values as follows:

	$	$
Current assets	35,060	
Fixed assets	25,902,434	25,937,494
Current liabilities	85,049	
Mortgages and loans payable	25,902,434	25,987,483
		49,989

As a result of the mortgage foreclosure proceedings, the mortgage payable to the Manitoba Housing and Renewal Corporation (MHRC) has been reduced by $2 million; this reduction, which is reflected in the accounts, consisted of funds held in trust for the original owners of the complex, and paid to MHRC.

Included in mortgages and loans payable above is $5,930,041 due to the Corporation. The balance outstanding at March 31, 1991 amounting to $5,914,779 has been eliminated upon consolidation.

5. FIXED ASSETS

Fixed assets are classified as follows:

	1991			1990
	Cost $	Accumulated depreciation and amortization $	Net $	Net $
Office equipment	74,851	49,037	25,814	29,478
Computer hardware	33,968	25,128	8,840	12,629
Computer software	3,103	2,561	542	775
Leasehold improvements	132,201	2,417	129,784	-
Parking and Promenade equipment	225,941	131,256	94,685	96,385
Theatre facilities	3,200,000	480,000	2,720,000	2,880,000
Place Promenade building and equipment	25,902,434	767,823	25,134,611	-
	29,572,498	1,458,222	28,114,276	3,019,267

6. NORTH PORTAGE PROPERTIES

The cost of the North Portage properties is comprised of the following:

	1991			1990
	Cost $	Accumulated amortization $	Net $	Net $
Land assembly and demolition	29,566,883	-	29,566,883	28,795,420
Site servicing	4,273,102	697,660	3,575,442	3,718,183
Development projects	1,538,265	403,226	1,135,039	1,217,413
	35,378,250	1,100,886	34,277,364	33,731,016

Certain properties within the boundary defined for redevelopment have been expropriated by the Province of Manitoba pursuant to the North Portage Development Corporation's Shareholders' Agreement. The Province of Manitoba, as the expropriating authority, has made advances and final settlements with the owners and tenants of certain expropriated properties as compensation for the acquisition of land and has incurred various related costs to date amounting to $28,780,909. This amount is included in land assembly and demolition costs.

7. DEFERRED COSTS

Deferred costs consist of the following:

	1991			1990
	Cost $	Accumulated amortization $	Net $	Net $
Deferred development costs -				
Preliminary planning	771,043	269,866	501,177	578,282
Development program	663,357	218,546	444,811	494,366
Corporate relations	385,483	133,696	251,787	290,335
Implementation	295,395	101,125	194,270	223,810
North Portage Theatre Corporation	176,336	52,901	123,435	141,069
	2,291,614	776,134	1,515,480	1,727,862
Manitoba film production	2,774,349	1,659,383	1,114,966	1,669,835
Equipment costs	1,500,000	450,000	1,050,000	1,200,000
	6,565,963	2,885,517	3,680,446	4,597,697

8. MORTGAGE AND LOAN ADVANCES AND COMMITMENTS

The development program of the Corporation contemplates a total program budget expenditure in excess of $81 million, including interest on property settlements, which is projected to lever approximately $330 million of private and institutional development within the project area. In addition to the commitments made through land expropriation, which are estimated to exceed $35 million, the following contractual commitments have been made to date which in total will require disbursements by the Corporation of approximately $43 million consisting of contributions, advances and expenditures. As at March 31, 1991, substantially all of this amount has been disbursed.

(a) Infrastructure

The Corporation has entered into certain development agreements with the City of Winnipeg which designate the Corporation's responsibilities for installing and constructing utilities, roads and other services within the area affected by the redevelopment. The bulk of these costs were incurred during 1986 and 1987 and will continue into 1991.

(b) Portage Place Retail Complex

The Corporation has entered into a development agreement with Cadillac Fairview Corporation Limited for the development of a retail shopping mall. Under the terms of the agreement, Cadillac Fairview has leased land from the Corporation for a 50 year term beginning November 15, 1985 with 5 subsequent renewal periods each of 5 years duration. In addition to the roads and street services improvements required to service the retail complex, North Portage has advanced funds to construct the parking structure, overpasses and connections, support structures for future development as well as public amenities that form part of the retail complex. These advances are secured by a mortgage to be repaid during the period of the lease out of participation income of the retail complex.

The Corporation receives base rents which will increase during the lease period. In addition, the Corporation will receive 50% of the Net Participation Income (as defined in the lease agreement) of the retail project towards repayment of the mortgage principal and interest until the mortgage is repaid, after which its share of Net Participation Income is reduced to 20%. The Corporation also operates the parking facility.

At the end of the lease period, the Corporation becomes the owner of the retail complex.

(c) One Canada Centre

The Corporation has entered into a development agreement with Investors Syndicate Property Corporation for the development of an office tower. Under the terms of the agreement, Investors has leased land from the Corporation from the start of construction, May 1986, for a 50 year term with 5 subsequent renewal periods each of 5 years duration. As part of the agreement, the Corporation provided a non-interest bearing loan to fund the actual cost of constructing a parking structure which is operated by the Corporation. This loan will be deemed to be satisfied at the end of the lease. The Corporation will become the owner of the office complex at the end of the lease.

The Corporation has the option on the 20th anniversary of the lease to sell the land to Investors at a price not to exceed $6 million. Investors has the option to buy the parking structure at its original cost, following the sale of the land.

The Corporation receives base rents which will escalate during the term of the lease. In addition, from the 11th operating year, the Corporation will receive as participation income 25% of the net income from space sublet by Investors to third parties.

(d) Seniors' Housing Complexes

The Corporation has entered into development agreements with The Kiwanis Club of Winnipeg Seniors Building Inc. and Fred Douglas Place Inc. for the development of two non-profit seniors' housing projects. Under the terms of the agreements, each developer leases land from the Corporation from the start of construction for a 50 year term with 5 subsequent renewal periods each of 5 years duration and a sixth subsequent renewal period up to a maximum of eighteen months. As part of the agreements, the Corporation has provided non-interest bearing loans to fund the actual cost of constructing the parking structures.

The funds advanced to The Kiwanis Club of Winnipeg Seniors Building Inc. are non-repayable and the Corporation receives payments of parking rent. The funds advanced to Fred Douglas Place Inc. are repayable out of net parking income. The Corporation has also provided funds towards the cost of a pedestrian overpass.

The Corporation receives base rents from both projects which will escalate during the term of the leases.

At the end of the lease periods the Corporation becomes the owner of the complexes.

(e) YM/YWCA

The Corporation has purchased the land and building known as the YM/YWCA and has leased the complex back to the YM/YWCA for a 50 year term with 5 subsequent renewal periods of 5 years each.

9. MORTGAGES AND LOANS PAYABLE

Mortgages and loans are comprised of the following:

Manitoba Housing and Renewal Corporation	- 8-1/2% first mortgage, repayable over a 7 year term
Canada Mortgage and Housing Corporation - Canada Rental Supply Program	- second mortgage, repayable after 15 years

The following principal repayments are required over the next 5 years under the terms of the mortgages and loans:

	$
March 31, 1992	97,878
1993	106,375
1994	115,608
1995	125,644
1996	136,551

10. CONTINGENCY FUND AND FILM FUND

A subsidiary has entered into an operating agreement with Manitou Theatre Management Limited and IMAX Systems Corporation to establish a contingency fund to cover any deficiencies incurred by the theatre operations, and a fund towards future film productions. Interest earned on the funds is divided equally between the Corporation and Manitou Theatre Management Limited. One-third of net theatre revenue and one-third of film rental revenue is appropriated yearly towards the film fund.

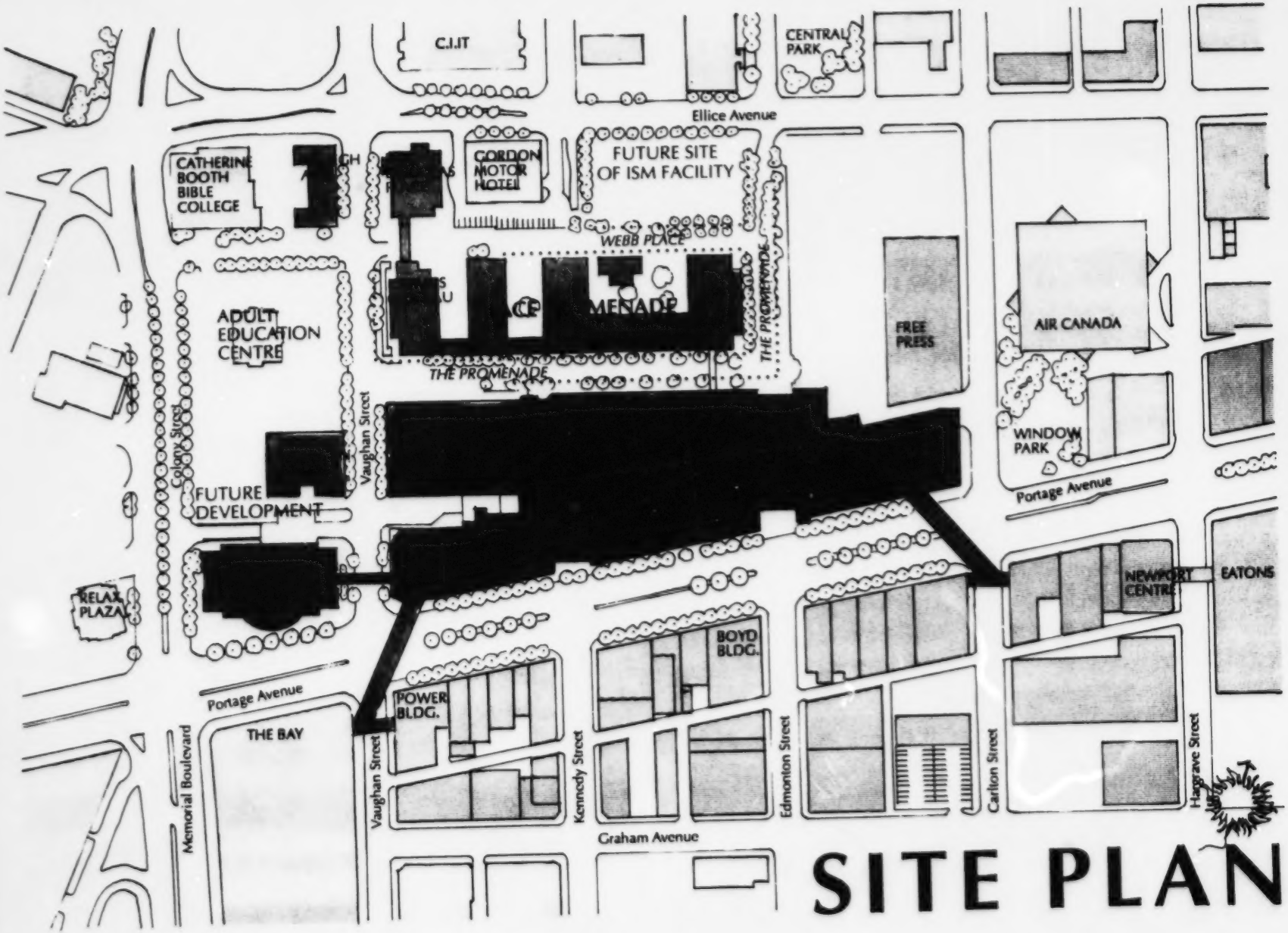
11. THEATRE REVENUE

Theatre revenue is determined as follows:

	1991 $	1990 $
Gross receipts	1,194,214	1,273,121
Expenses (including capital improvements)	1,191,361	1,198,863
	2,853	74,258

12. SUBSEQUENT EVENT

The Corporation is finalizing the terms of an agreement with the Canada Mortgage and Housing Corporation (CMHC) whereby CMHC will fund a portion of the residential yearly cash flow deficiencies of the Place Promenade residential housing complex for a five year period up to a cumulative maximum of $2,330,000.


C.J.I.T
CENTRAL PARK
Ellice Avenue
CATHERINE BOOTH BIBLE COLLEGE
GORDON MOTOR HOTEL
FUTURE SITE OF ISM FACILITY
WEBB PLACE
THE PROMENADE
ADULT EDUCATION CENTRE
FREE PRESS
AIR CANADA
WINDOW PARK
Portage Avenue
Colony Street
Vaughan Street
FUTURE DEVELOPMENT
RELAX PLAZA
NEWPORT CENTRE
EATONS
BOYD BLDG.
POWER BLDG.
THE BAY
Memorial Boulevard
Kennedy Street
Edmonton Street
Carlton Street
Hargrave Street
Graham Avenue

SITE PLAN